OPALESQUE
PRIVATE EQUITY STRATEGIES

Issue 6 | May 20, 2013

In This Issue

Editors Letter

Welcome to the May issue of Private Equity Strategies, this month we are continuing with our new dual format – one with interactive features and one without. We hope you enjoy our new content. Please do continue to send your feedback.

This month we look at the intersection of private equity and public life, in an interview with James Bridle, writer, artist and futurist. We have also included a video of his recent work at the Brighton Festival, in Brighton, England.

In our *Dealmakers Q&A* we discuss the growing secondary private equity market with Mathieu Drean of Triago, and Bill Murphy of Cogent Partners. Leading us into *Regs Watch* we have a brief private equity trend update from Ingrid Pierce, Global Managing Partner at law firm Walkers.

Movers and Shakers features an interview with Travis Hain, principal at Ridgemont Capital Partners. Ridgemont is a new private equity firm, which just announced the close of its oversubscribed inaugural fund after a successful spin out from Banc of America Capital Investors.

Sector View: Energy Focused Tailwater Capital Spins Out of HM Capital, Tailwater Capital has raised its first fund, Tailwater 1 which will focus on North American oil and gas investments. Tailwater already has plans for a second fund in 2014.

In our *Data Snapshot* we compare the differences between public boards and their private cohorts with data from a new study by EisnerAmper examining key concerns for boards this year. Tools of the Trade will look at claims brought after deals have closed. Some two-thirds of deals see a claim during the escrow period.

As always, *Quick Hits and Events* will look at recent fund news and networking opportunities. Please keep sending your tips and feedback to me directly – mccann@opalesque.com.

Bailey McCann
Editor, Private Equity Strategies
mccann@opalesque.com

Inside The Portfolio: Drones

Bailey McCann
Private Equity Strategies

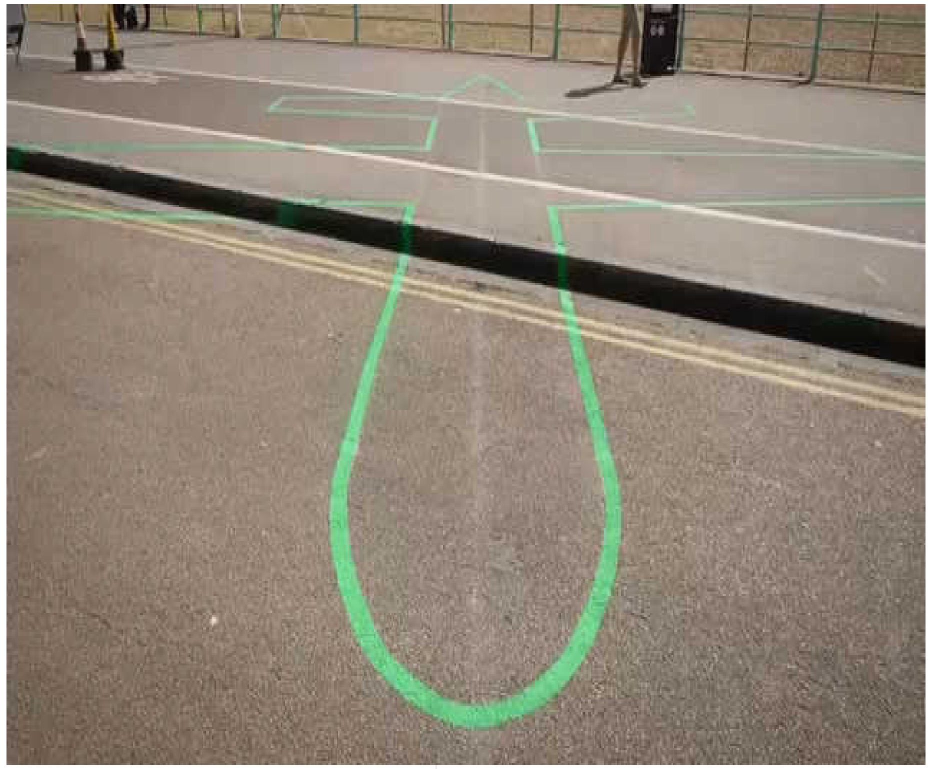
Since Private Equity Strategies launched in November of 2012, we have always tried to include at least one piece about the perception of private equity and private equity investments. Most recently, we looked at the impact of institutional divestment from funds or portfolio companies that develop a stigma, like tobacco or gun makers. This month, we look at another controversial investment – drones.

Unmanned aircraft that seek to track and often kill, people or groups considered to be threats to national security have been the subject of hot debate and one filibuster here in the US. Despite that, some of the world's largest publicly held companies, and a few private ones, are making windfall profits building these machines, to the benefit of investor portfolios, and arguably not much else. Private Equity Strategies spoke with author, artist and futurist, James Bridle about some recent work he did on drones, and what this technology might mean for investors and society.

Recently, Bridle has created what he calls "drone shadows" in public places, one in Istanbul, Turkey, another in London, England and the latest in Brighton, England for the Brighton Festival. Drawn to scale, he has rendered chalk outlines of the MQ-1 Predator Unmanned Aerial Vehicle (UAV), and the MQ-9 Reaper, both made by San Diego-based, private company, General Atomics.

Drone Companies:

-- General Atomics - San Diego, CA - Private
--Elbit Systems - Israel - Public: $ESLT
-- Israel Aerospace Industries - Israel State Owned



The models are the most popular of those in use by the US Air Force and the Royal Air Force in the UK.

General Atomics, was originally created as the Atomic division of General Dynamics Corporation in 1955, "for the purpose of harnessing the power of nuclear technologies for the benefit of mankind," and then spun out. For a few years in the 1970s-1980s it was part of Big Oil, owned by Gulf Oil, Royal Dutch Shell, and then Chevron. Eventually it was purchased by two brothers, the Blue's who have backgrounds in aviation. Since then, the company has been working on a variety of defense, nuclear and energy projects, testing the first Reaper drone in 1994. In the beginning, drones including those for non-military use were primarily outfitted with cameras for observation of various types. Now, while those types of drones still exist, others have been outfitted with missiles to carry out targeted, unmanned strikes.

Can't see the video? Click here.

The General Atomics drones are the most widely used drones, flying silently, and high enough not to cast a shadow. Saudi Arabia recently announced it would re-up contracts with the company; France just got approval to buy two for military operations like those in Mali, and Canada is looking at drones for its own Artic rescue missions. Israel is known to employ widespread use of drones as well but, its military has its own government-owned drone manufacturer, and a publicly traded manufacturer as well.

"In Gaza, which is under daily surveillance and attack by Israeli drones, the Palestinians call the aircraft 'Zenana', meaning, roughly, "buzz", although it's also a slang term for a relentlessly nagging wife," Bridle writes in a blog post on some of his earlier drone shadows.

Relentless is a word that seems to surround drones. For the societies under literal attack from them, those strikes come without warning. Meanwhile, in the US, civilians and law enforcement alike are embracing drones with gusto. Public polling shows support for the use of drones in national security operations. Local police forces are also buying smaller versions to patrol the streets. Private equity, and technology companies are cashing in. Last week, venture capital firm Andreesen Horowitz and Google announced their support for Airware, a drone startup that just closed a $10.7m Series A financing round. Airware provides hardware and software for drone makers.

Late last year, Arlington Capital Partners announced its successful exit from Chandler/May a drone parts maker, after a seven year run which included a strategic acquisition of another drone parts company. Arlington has institutional investors including public pensions.

On paper, drones are a regular object lesson in a high value defense play. Portfolio companies in this space are backed by blue chip names, and have contract prospects that Boeing and IBM are hungry for. But, unlike even traditional defense plays, the rules around drones aren't established and no one is really willing to draw a line.

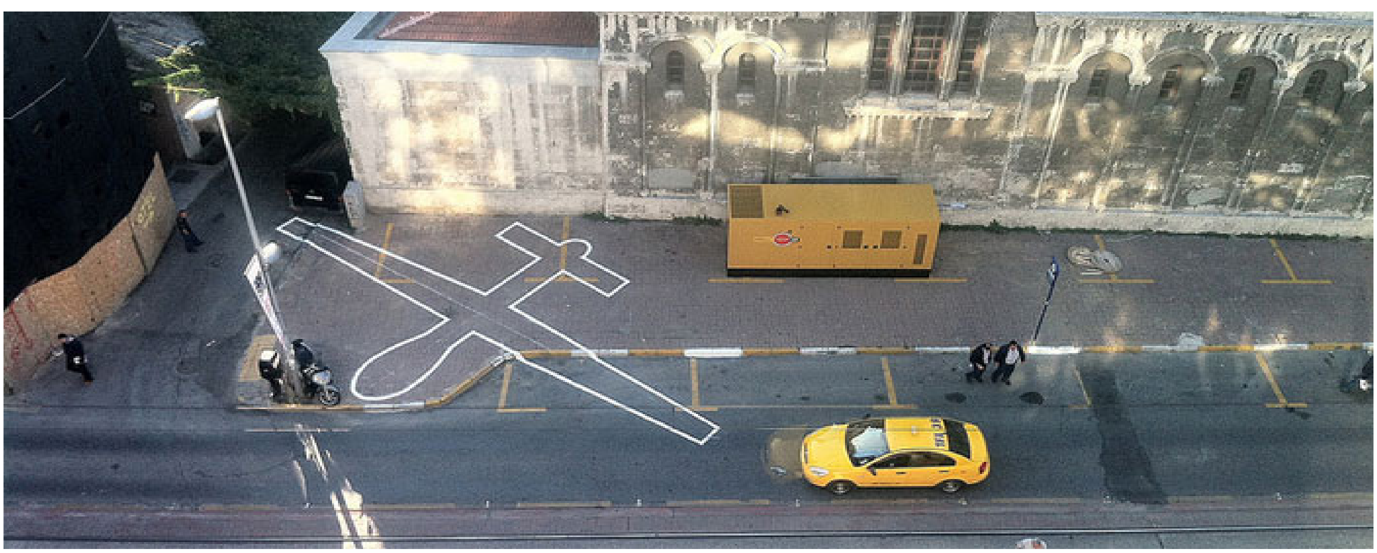
"The drones are agglomerations of a range of technologies and investments, their development has been spurred by numerous interests at various times. Directly, the drones originate in new understandings of battlefield control that emerged from conflicts such as Palestine where traditional armies were confronted with low-tech, networked opposition; this has essentially been franchised out to Afghanistan, Iraq and elsewhere as more of the world becomes balkanized," Bridle tells Private Equity Strategies.

"The last ten years of intense conflict has produced an extraordinary bonanza for military contractors and suppliers, and such industries are of course directly complicit in the destruction wrought. It is in the nature of military conflicts that new weapons produce new wars; the CIA's current adventures in Pakistan, Yemen, Somalia and beyond would not be possible without the drones. But the unexamined nature of such conflicts and the weapons that facilitate and execute them is the fault of all of us, we are all complicit. We've built such an aura around technology that it has become almost invisible to us, meaning it can be deployed with little political or ethical oversight. This is as true of high frequency trading as it is of the drones; what is obscured is vast inequalities in power, and unequal power relationships consistently and inevitably result in forms of violence, economic or physical."

With high frequency trading, regulators have made mostly reactionary attempts at trying to understand and reign in this technology. Yet drones operate in a space where no one wants to limit their capabilities because of the returns both on and off the battlefield. These efforts are further supported by the private equity firms and indeed, public institutions that invest in them. The critical question is the net effect of such investments in an increasingly interconnected and interdependent world. More broadly, if the use of drones is being led by the United States and its Western allies, financial companies supporting the primacy of these economies and their governments must clearly define the rules of engagement for drones, and what it means for free societies that say they support rule of law, to engage in remote attacks without declarations of war.

"Like the internet itself, the drones are the most expected outcome of a process by which desires are reified through technology, with explicit instructions for carrying out human demands. As a result, there is no going back. What we can do is more closely examine and better understand these technologies in order to more equally share the fruits of their agency," Bridle says.

*Video /Image Source: James Bridle



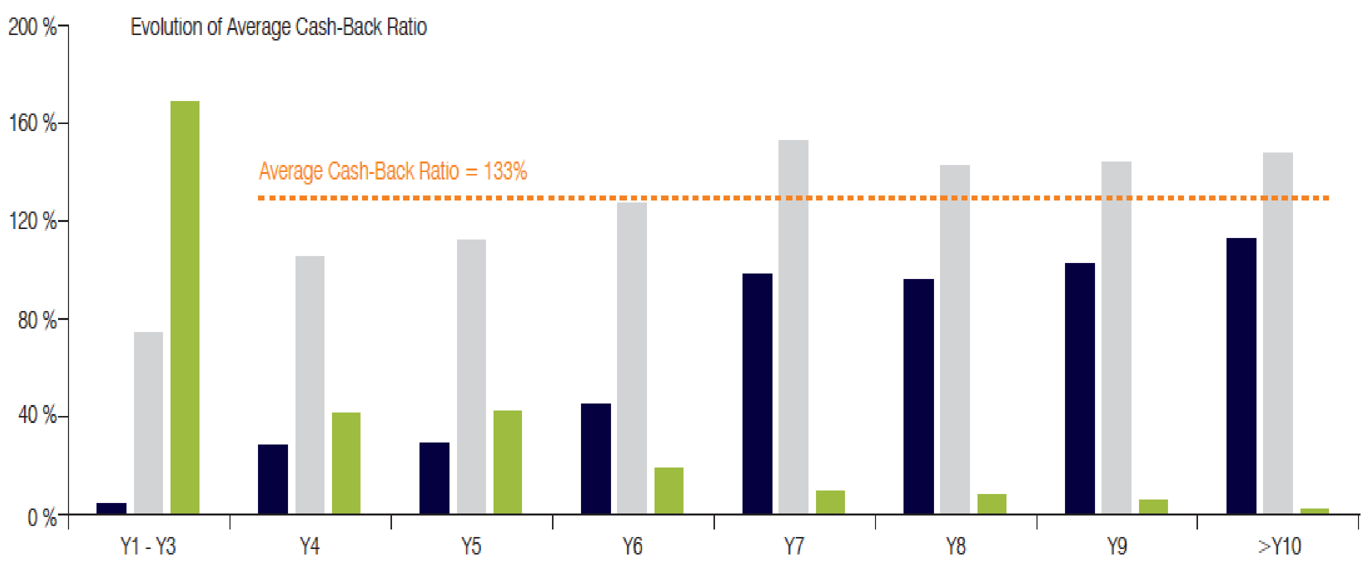
Dealmakers Q&A: The Secondary Market Transitions From Fire Sale to Tag Sale

By: Bailey McCann
Private Equity Strategies

Historically, secondary market transactions in private equity and elsewhere have tended to equate with fire sales as one party tries to get out of a deal turned sour. But as deal flow everywhere increased in the pre-crisis boom, investor expectations changed, and 2008 changed the game again - secondary transactions are taking off. These deals are less fire sale, and more garage sale. Often, firms or investors simply want to exit an investment quickly, and without a lot of hassle. Buyers in the secondary market now find themselves with a record number of deals to choose from.

Secondary transactions as the name would suggest, operate at a lower premium and often on an accelerated time frame. However, deal flow in this market has increased to record levels, discounts are also tightening up. Traditionally, buyers in this market were often strategic buyers, and secondaries focused firms. Now, non-traditional buyers are entering the space with the help of advisors and placement agents adding to returns and shortening the J-curve.

AVERAGE RETURN ON SECONDARY SALES 2007-2012: 133 PERCENT OF PAID-IN CAPITAL



Notes: Cash-Back Ratio equals distributions, plus net proceeds from secondary transactions, divided by seller's fund contributions prior to sale date. The average Cash-Back Ratio covers private equity funds transferred by Triago during 2007-2012 and does not include early secondaries. The horizontal axis represents the time from fund inception to secondary sale. Source: Triago

“It’s a good thing that the buy-side is looking more at secondaries,” says Mathieu Drean, Head of Global Secondaries at placement agent, Triago in an interview with Private Equity Strategies. “There is lower risk, assets are more transparent. The prices are attractive as are the returns- it is an excellent way to deploy capital efficiently and lucratively.”

Rapid deployment of capital is a core driver of growth in the secondaries market. Private equity investors have been frustrated over the last few years with the slow down in capital deployment. “In many cases going to the secondary markets means, capital is deployed faster and the return comes back faster,” he says.

Transactions in the secondary market were a record $26bn in 2012, marking the highest aggregate deal value in a single year since 2006. The only year reporting a larger number was 2007, where 336 private equity-backed secondary buyouts were valued at $94bn. According to Preqin, 2013 has seen approximately 107 transactions totaling to $19bn. Almost half of these transactions were in Europe, reflecting the impact of rolling debt crises and the extreme tightening of credit in the Eurozone.

The top five secondary buyout deals tracked by Preqin included the €3.1bn acquisition of ista by CVC Capital Partner from Charterhouse Capital Partners, as well as the €1.13bn secondary buyout of Cerved by CVC Capital Partners from Bain Capital and Clessidra Capital Partners.

Secondary energy and real estate funds are also seeing a steady uptick in pricing as investors find opportunity, according to a study of first quarter transactions by Harken Capital Securities, a secondary advisor. Authors note that secondary specialists are increasingly using leverage to meet seller expectations as the market grows and gets more competitive.

“Secondaries are increasingly just another part of the portfolio,” Drean explains. “Sellers are often looking to offload part of their portfolio and a growing group of buyers are there to pick it up. We expect this trend to continue.”

This view is echoed by Bill Murphy of Cogent Partners, a private equity focused advisory and investment firm that is involved in the secondary market. “We are seeing more GP recapitalizations/disrupted cycle activity and we expect this to continue as the amount of illiquid assets out there continues to grow. In spite of reasonably good exits over the past 12 months or so, you’re still seeing the amount of investor capital tied up in PE funds in terms of NAV plus remaining unfunded, increasing year-over-year. The secondary market is often the liquidity answer for investors who are saying ‘I’ve held this investment for 12 years and just want to realize what value remains and be done with it.’”

Murphy notes that much of the secondary market activity for 2013, will likely happen toward the end of the year. “”The secondary market is generally less active in the first quarter than in the remainder of the year. A key reason for this, is that during the first quarter the most recent financial statements available are as of September 30th of the prior year and, as such, are out of date. This is caused by the fact that the partnership financials undergo a full audit at year-end, which often takes a substantial amount of time to complete and therefor results in a longer lag in reporting financial results to limited partners than at any other time of the year.”

“Someone in march trying to plan a sale is looking at stale data, in a market when there has been a significant move in the equity markets - they’re probably going to wait until the second half of the year,” Murphy says.

Fundraising for secondary funds is still going however. In April, StepStone Group announced the final closing of its secondary private equity fund, StepStone Secondary Opportunities Fund II, LP, with total commitments of $450m. The Fund exceeded its original target of $350m, closing at its hard cap. Together with allocated capital from separately managed accounts, StepStone has raised approximately $650m for their strategy in the secondary markets. Limited Partners in the Fund consist of U.S and international investors, including public and corporate pension funds, insurance companies, endowments and foundations, family offices, and financial service and advisory firms. StepStone is a global private equity firm that oversees more than $50bn of private equity allocations, including approximately $10bn in assets under management.

In our February issue, we also spoke with NewGlobe Capital Partners on their new fund, and secondary transaction structure. In that piece, Andrew Hawkins, founder and CEO of NewGlobe Capital Partners, noted, “Over the next 2 years we could deploy $1bn in capital, some of that could even come quicker than we expect. The counterparties are heavily engaged with us and from a deal flow perspective this is as good as it gets.”

* Image Source: Triago Quarterly

Insider Trends: Capital Deployments Increase, Deal Size Ticks Up

By: Bailey McCann,
Private Equity Strategies

Leaders in both alternative investments and geopolitics gathered this month at the Skybridge Alternatives (SALT) Conference in Las Vegas, Nevada. During that conference, a number of key players in the private equity industry outlined trends in private equity ranging from distressed opportunities to real estate. I spoke with Ingrid Pierce, Global Managing Partner at Walkers, about trends she sees in the private equity space.

"More capital is being released now than we saw for several months there, allocations also remain strong and that's good news," Pierce tells Private Equity Strategies. "People are closing deals, and that's good psychologically."

At Walkers, Pierce focuses on advising fiduciaries and representing major institutions, fund managers, directors and trustees in all aspects of investment funds, including structuring and ongoing operations. She notes that across all of the groups she works with optimism is growing, albeit cautiously.

"Deal sizes are creeping up. The tried and true formulas for private equity and fund structures are leading the way here, and we may start to see club deals come back, but at a slower pace."

She echoes points made in our Dealmakers Q&A about growth in the secondary markets. "There is growth in secondaries in both hedge funds and private equity. I think we are getting a better picture of those investments now that we are further away from 2008. Similar activity is happening in real estate. That market has been cleaned up to some extent and there are real opportunities there."

Despite growth in investment opportunities, private equity funds should still keep an eye on regulation, Pierce notes. "I don't think there is an appreciation of regulation and what the consequences will be, especially for smaller firms. Part of the reason for that is that those problems will be in the future, but firms can't wait to react."

Between AIFMD in Europe, Dodd-Frank and FATCA in the US, private equity firms are now faced with new regulatory challenges, and often, new registration requirements. "FATCA is huge and all encompassing, firms will have to look at who is liable for those reports. Individuals are going to have to put their name on the line for these numbers, that is going to give some people pause, and it should. Firms should be having these conversations now."

Regs Watch: Brief Updates on Changes in Regulation for Private Equity

A a journalists like me and lawyers have written ad nauseum, new and ever more regulations are in the pipeline for private equity and alternatives as a whole. Here we will hit on some of the cases of note and provide links to new guidance over the past month.

How will the AIFMD affect GPs and LPs based outside Europe?

The European Venture Capital Association has authored a new brief outlining the potential effect of AIFMD on private equity firms.

Form PF Impacts PE

In a new video from Privcap, industry insiders say that Form PF is redefining private equity and its compliance efforts.

Ernst & Young Report: Private Equity Operations Must Evolve to Meet Demands of Growing Economy

New E&Y Report says PE firms will have to adjust operations to meet investor and regulatory demand.

Financial Services In 2013 And Beyond: Adapting To The New Regulatory Climate

A new brief from law firm Morrison & Forester looks at how financial services firms will have to adapt to regulations through the end of this year and into 2014.

Swedish Government to Pension Funds: Save More

Privately held companies with investments from Swedish pension funds may feel the squeeze as the government there requires pensions to save more and invest less.

Privately Held Medical Device and Drug Companies Face Unique Sunshine Act Challenges

Medical device companies are going to face new transparency requirements under the Affordable Care Act (ACA). Attorneys with Drinker Biddle & Reath LLP, look into the changes.

Significant Reform Initiatives Target Investment Management

The New York Law Journal has a great piece out taking a deep dive into Dodd Frank and what it will mean for investment firms.

Marsh offers D&O coverage for international organizations

According to BusinessInsurance.com, Marsh has launched new coverage for international organizations.

Corp Fin updates compliance and disclosure interpretations

On May 16, the Staff of the Division of Corporation Finance updated C&DI's across topic areas primarily relating to Securities Act practice. This is the first set of updates to the C&DI's for the Securities Act and its rules and forms since February 2012. Attorneys for Gibson & Dunn outline the changes.

European PE Hits Rough Patch

The European Venture Capital Association's 76-page annual report is out and the statistics aren't great. It clearly demonstrates that 2012 was a tough year for European private equity. In terms of value, fundraising fell 43%, investments dropped 19%, and divestments were off 29%.

Larger funds involved in European private equity have cut back on their activity, prompting the slump, the report says. Growth fundraising reached only 9% of its 2011 level. Only 15 funds raised new capital compared to 32 in the previous year.

Blackstone Makes $241.5m Real Estate Buy

Private equity powerhouse firm, Blackstone Group is buying 23 industrial properties from First Potomac Realty Trust. The deal will give Blackstone industrial property in Virginia, Maryland and the DC Metro, and highlights First Potomac's shift into urban real estate.

Movers and Shakers: Banc of America Spin Outs, Ridgemont Equity Partners Raise First Fund

By: Bailey McCann
Private Equity Strategies

Ridgemont Equity Partners, a Charlotte-based middle market buyout and growth equity investor, founded by former Banc of America Capital Investors executives have closed their inaugural fund with total commitments of $735m. The fund - Ridgemont Equity Partners I, L.P. ("REP I"), closed in March and is oversubscribed. According to the firm, Limited Partners in REP I includes a diversified group of institutional investors from the U.S., Asia and Europe.

In August of 2010, the former Banc of America Capital Investors private equity team spun off from Bank of America to form Ridgemont. The principals of Ridgemont have invested together for two decades, deploying more than $3bn across 115 companies.

Ridgemont focuses on investments of $25 million to $75 million in industries in which it has deep expertise, including basic industries and services, energy, healthcare and telecommunications/media/technology. The firm has a long history of partnering with management teams of closely held private companies and new business platforms as either a majority owner or lead minority investor. REP I is currently comprised of nine portfolio companies.

According to Travis Hain, partner at Ridgemont and member of the firm's Management Committee, who spoke with Private Equity Strategies, the 9 companies in the first fund are all based in North America. Hain says the firm will "continue to equally target all 4 of our core sectors," in looking for future investments.

"We target both buyout and growth capital opportunities, but we are more focused on transactions that entail majority equity investments by Ridgemont," he says.

Even though the fund is oversubscribed, Hain says that they plan to hold off on working on a second fund for now. "Ridgemont is focused on deploying the capital raised for REP I – we have plenty of dry powder to keep us active investors for the foreseeable future."

Hain serves on the executive committee with two others – Walker Poole and Trey Sheridan. "We are thrilled to have oversubscribed our inaugural fund and believe that it is a testament to the strength of our team, attractive returns and commitment to a proven sector-focused model. The market responded well to Ridgemont's history and strategy."

Ridgemont Portfolio Companies :

Momentum
Unite Private Networks
Gallus BioPharmaceuticals
Aurora Parts & Service Network
Hometown Urgent Care & Workcare Center
J.A.M. Distributing Company
Unitex Oil and Gas
Titan River Energy
simpleview

Sector View: Energy Focused Tailwater Capital Spins Out of HM Capital

By: Bailey McCann
Private Equity Strategies

By: Bailey McCann, Private Equity Strategies

Dallas-based, Tailwater Capital has successfully launched, and raised its first fund - Tailwater 1. Tailwater partnered with Landmark Partners to complete the secondary purchase of HM Capital's legacy energy portfolio, and is making investments that follow with HM Capital's approach. Tailwater principals Jason Downie and Edward Herring, have been a team for over 14 years, including work with HM Capital, and were involved with the legacy investments that are part of Tailwater 1.

Going forward, Tailwater will focus on investing in the energy industry with a primary focus on investments within the midstream and upstream sectors. The portfolio includes BlackBrush Oil & Gas, TexStar Midstream Services and SunTerra Well Services. During their tenure with HM Capital, Downie and Herring were responsible for the sourcing of these investments as well as the oversight of each company's performance through representation on each company's board. Both men spoke with Private Equity Strategies about the launch of their firm and new fund.

"We feel like US infrastructure and capital spend to get hydrocarbons to the market will continue to have an opportunity for returns over the next several years," Downie said. "We think it is a great time to be invested in oil and gas."

"We were part of the HM Capital team for 14 years, so we are very familiar with Landmark Partners as an LP, they have been involved since day one, and this is very much an extension of what we were already doing together," Herring explains. Herring and Downie have worked with Landmark Partners on investments in this space since the early 2000s, predating involvement with these portfolio companies.

Tailwater and HM Capital were represented by a team from Weil, Gotshal & Manges LLP led by partner Rodney Moore and Landmark Partners was represented by a team from Kirkland & Ellis LLP led by partner Michael Belsley.

"With Tailwater 1 we are bringing new capital to these investments, and are already almost 80% invested in our portfolio companies," Downie explains. "We are looking at a Tailwater 2 fund for calendar year 2014."

Investments will be focused on oil and gas companies in the US and Canada with an average bite size of $50-100m. As a team, the managing partners have invested over $1bn in equity capital, in the sector.

Data Snapshot: Reputational Risk Takes Top Slot of Board Concerns – Survey

By: Bailey McCann
Private Equity Strategies

In our data snapshot this month, we are looking at new challenges facing corporate boards following a survey by accounting firm EisnerAmper. In that survey, data shows that reputational risk is the top concern for corporate boards, increasing some 20% over the last four years to take the top slot. The findings in this survey highlight critical differences between public and privately held companies.

More than 230 board members participated in the survey. In addition to responses from public and private boards, directors from not-for-profit and private equity-owned boards replied to the survey. Sixty percent of the directors identified themselves as serving on audit committees.

Other than financial risk, respondents were asked to identify risks of most concern. Seventy-three percent identified reputational risk as a primary concern of their boards – a 19% increase in the number of board members who identify this as their greatest concern since the initial Survey, four years ago. Playing into the idea of reputational risk, the three core areas respondents said they were most concerned about were: product quality, liability and customer satisfaction; public perception and brand; integrity, fraud, ethics and the Foreign Corrupt Practices Act (FCPA).

On the private equity side, the data isn't great. Private company directors are far behind their peers in pushing for diversity in board membership. Only 33% of PE-owned directors indicated their boards took action to increase board diversity last year vs. 50% for public companies and non-profits. This has been the case for a while in private equity and unfortunately doesn't seem to be improving.

In last month's issue, we highlighted a case study and video from the Center for Audit Quality, which pointed to some indicators of fraud in public companies, including lax internal audit standards. On the private equity side, this can be harder to ferret out, and report data shows that may be related to the lack of internal auditing at all in private companies. Private-equity owned entities don't use internal audit to identify risk as their public company counterparts do. Despite the closing the IPO window and increasingly complexity of risk management, only 31% of PE-owned directors found internal audit helpful vs. 51% of public company directors. Directors at PE-owned companies were also more likely to report outsourcing the entire function and were less likely to report any changes.

The emergence of social media is also putting pressure on all of these factors. Recently, the Securities and Exchange Commission, authored some new guidance around the use of social media for financial firms. In that guidance, the regulator noted that communications with the public about already public information, or information that was not directly linked to a sale or transaction was ok for social media. However, survey respondents said that social media is another top concern. "Social media exacerbates all of the major risk categories we track – financial, regulatory and compliance, fraud, privacy, and data security," said Steven Kreit, a partner in EisnerAmper's Services to Public Companies practice. "Social media's immediacy turns routine challenges into enterprise risks and boards need to be ahead of the curve on digital risk management to understand these threats."

Social media has become a key part of non-profit and public company communications about its brand and customer service, and private companies as well as private equity firms are also getting into the mix, but planning is critical. "Awareness and vigilance in addressing threats are shared by both boards and executives. Directors should have knowledge of the tools available to mitigate risk but implementation remains the role of management," Kreit said.

*Image Source: EisnerAmper

Tools of the Trade: Two-Thirds of Deals Have Material Closing Issues

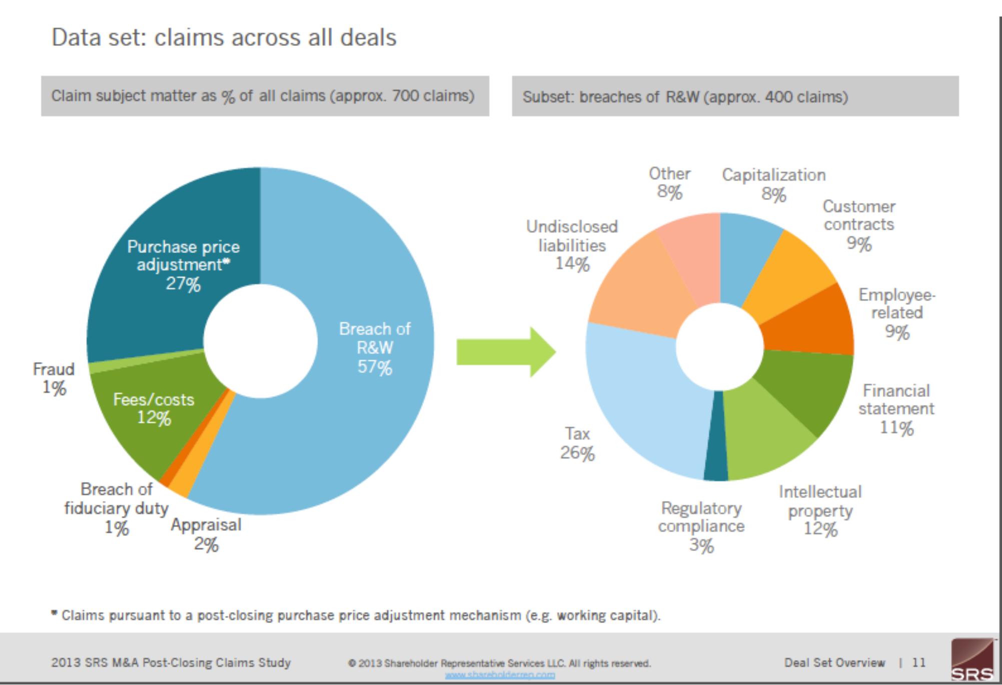
By: Bailey McCann
Private Equity Strategies

While indemnification claims, purchase price adjustments, earn-out achievement disputes, and other post-closing issues in private-target M&A transactions remain common, data from a new survey shows that claim resolution is becoming more efficient. According to the latest "M&A Post-Closing Claims Study," from SRS | Shareholder Representative Services, two thirds of all deals had issues arise after closing, and one in five deals with claims had exposure exceeding half of the escrow.

The study analyzes post-closing issues and payouts across 420 private-target acquisitions, comprising $66.7bn in stated deal value with $6.7bn held in escrow and $9bn in potential earn-out consideration.

The study shows that earn-out milestones for technology and other deals outside of the life sciences sector were achieved 50% of the time, an improvement over previous years. However, claim activity across all types of deals is still frequent. Nearly 20% of expired-escrow deals saw a claim come in the last week of escrow. These claims are having a big impact, final escrow releases in nearly a third of expired-escrow deals get delayed due to outstanding claims, and the average time of those delays is 7 months.

Claims over breaches of representations and warranties are by far the most common, accounting for 57% of claims. Purchase price adjustment claims pursuant to a post-closing purchase price adjustment mechanism (e.g. working capital) were second with 27%. Tax claims became more frequent (26%) due to the average target being a more mature taxpayer. In addition, state and local governments have become more aggressive about revenue collection, especially for sales and use taxes.



Claims are also coming in multiples. Expired-escrow deals saw on average 3.6 claims, and those claims call for as much as 30% of escrow dollars. 20% of those claims ask for half or more of the escrow dollars.

Price adjustments are happening two thirds of the time. 72% of deals with a PPA mechanism had a post-closing purchase price adjustment.

Quick Hits

Oakfield Capital Partners a private equity firm focused on the small to mid market in the United Kingdom has announced that it has closed its first fund, worth GBP6 million in committments.

Golden Equity Investments has acquired winemaker Goosecross Winery in Napa Valley, California. Terms of the deal include a Tudor-Style manor house along with the winery property and a tasting room.

Wyoming's State Loan and Investment Board (SLIB) will be putting $600M into private equity investments in the US according to a recent announcement. The SLIB will work with Hamilton Lane and Neuberger Berman on the investments.

The Nevada state legislature has scratched two bills that would have allowed private equity firms to put money into casino sportsbooks. One measure would have allowed sportsbook betting and another would have made state and national elections fodder for bets. Both bills will have to be reintroduced if private equity firms want a second chance.

Florida-based US Debt Ventures, a private equity firm has secured a $100M revolving credit facility to make more investments.

Chinese conglomerate Fosun International Ltd. is raising a $1 billion private-equity fund that will invest in Europe and international companies.

Credit Suisse is in advanced talks to sell its mid-market buyout arm, DLJ Merchant Banking Partners, according to three people familiar with the situation.

China will allow private equity investments in insurance companies according to a new announcement. At the end of April, China's Insurance Regulatory Commission (CIRC) released the "Circular on Relevant Issues regarding the Investment and Shareholding of Limited Partnership Equity Investment Enterprises in Insurance Companies, which lays out guidance and allowances for investment.

Events

SuperReturn US: Boston

June 3-6 Hosted By: Investor Return

Private Equity Investing In Defense, Government Services, & Aviation Companies -- More & More Acquisition Opportunities In a Dynamic Growing Marketplace

July 18, 2013 New York, NY
Hosted By: Capital Roundtable

Rigors of Being a P.E. Firm CFO -- How to Survive the Trials & Tribulations Best Practices for Overseeing Private Equity Administration & Compliance

May 30, 2103- New York, NY
Hosted By: Capital Roundtable

About the Editor: Bailey McCann is a reporter and analyst based in the US, with experience covering government, policy and regulatory issues in addition to her coverage of alternative investments. Prior to her work with Opalesque, she provided research and media intelligence for members of Congressional and White House offices, government contractors, and Fortune 500 companies. She has also reported on, and done policy analysis of state and local government issues. She may be reached directly at mccann@opalesque.com

Opalesque
Private Equity Strategies

PUBLISHER
Matthias Knab
knab@opalesque.com

EDITOR
Bailey McCann
mccann@opalesque.com

ADVERTISING DIRECTOR
Greg Despoelberch
gdespo@opalesque.com

www.opalesque.com